

United States House of Representatives

Agriculture Committee Field Hearing

Des Moines Iowa

30 April 2010

First, to the Committee, I'd like to thank each of you for this opportunity to appear before you and share with you my thoughts on the Farm Bill and its effects on our farming operation and those in my area that I am familiar with.

My name is Richard Bayliss. Our family – my wife and I, our two sons and their families - farm about 2,000 acres of row crops in Wapello and Keokuk Counties in Southeast Iowa. Our acres are split just about evenly between corn and soybeans each year, and we rotate those crops annually. We have a combination of owned, rented, and custom farmed ground. Our landlords include people who are elderly but very involved with their farms, and those who do not live near their farm but take a very active role in management decisions. Also, I retired in 2008 after almost 42 years in the Iowa Army National Guard and spent calendar year 2005 in Al Anbar Province, Iraq. While I was deployed, our farm operation went along pretty much as normal because each of those remaining at home carried the extra load to make it happen.

Production agriculture has become a very risky, high input, high-tech industry. We face many challenges daily with changing weather, volatile markets, rapidly advancing technology and rising costs of production.

While United States farmers continue to feed the world, we see many young and beginning farmers who want to enter this challenging and very rewarding profession. Investing in farm land and machinery, maintenance costs on both of those, and insurance to protect against loss presents a major obstacle to established farmers; for those just beginning, those things can be more than daunting....they can stop a young person in his tracks. Some form of revenue or price support or protection for them is essential. We old guys can't farm forever....we need that younger generation to be in a position to take over from us as seamlessly and painlessly as possible.

As for our own operation, we remained with the traditional DCP program that was enacted in 2002 and available with the 2008 Farm Program. It is an uncomplicated and straightforward commodity price support program that is generated by "number of acres X price = support level". The DCP Program, coupled with Revenue Assurance option from Multi-Peril Crop Insurance provides a reasonable safety net that provides stability in our operation.

The optional revenue-based program – ACRE - was new in the 2008 Farm Bill. It may become simpler and easier to use and to understand as time goes on, but we found it to be very difficult to apply to our

operation and challenging to accurately determine its usefulness. The major issues with ACRE in my opinion are:

- a) Yield base is set on a statewide basis, not by county. Variables such as soil types, average yields, and weather conditions across the entire state put the southern tiers of counties at a significant disadvantage and conversely puts other areas of the state at an unfair comparative advantage.
- b) ACRE is a corn-only program; no provision for rotating crops of soybeans, so coverage is drastically reduced for anyone who rotates crops, which is a majority of operations.
- c) If a producer has a significant crop loss in one year, the yield base is reduced reflecting the loss, which in turn reduces coverage for the subsequent year. Two crop failure years back-to-back and a producer has no coverage at all.
- d) Annual submission of proven yields, total revenue, and full Federal income tax returns is not only difficult to comply with, but is invasive and confidentiality can be an issue. This requirement is also extremely difficult to explain and justify to elderly or distant landlords.
- e) ACRE payments are discounted below the DCP program by 20%, which is a significant reduction that is difficult to explain to elderly landlords, those who do not live on the farm, and even to tenants who are affected in some lease arrangements.
- f) Available funds thru the Commodity Loan program are discounted 30% when a producer is enrolled in ACRE. (If I were able to borrow \$10,000 using about 5,200 bushels of my corn as collateral while enrolled under the DCP program, I could only obtain \$7,000 against the same 5,200 bushels if I were enrolled in ACRE.)
- g) ACRE requires a 4-year commitment with no opt-out provision. This constraint significantly prevents an operation from reacting to changes in life situations, new marketing opportunities, etc. and can have a very negative impact on estate planning.

These are the reasons that kept our operation and many others to whom I've personally spoken, out of the ACRE program and will continue to do so until potential modifications can be made so that it is more equitable and user friendly.

In comparison, the DCP program helps a producer to stay in compliance with the program, instead of manufacturing roadblocks to compliance, which is due in large part to its simplicity and its straight-forward language.

The "fixes" I would propose for the Farm Program to help young and beginning farmers to be able to gain a foothold in this business and provide the next generation of agriculture producers would be:

- a) Raise the loan price on corn to a realistic level. Current loan price of \$1.90/bu is no incentive for a producer to seal grain/put corn under loan when the loan rate is half of market value. The loan program could be a very valuable financial tool if it were restructured to reflect a realistic loan price. Gaining support for a loan program as opposed to a direct payment program should be easier to manage.

- b) Design a straight-forward, streamlined price support program that the producer can sell to his lender. It has to be realistic, and it has to provide some form of protection for both the producer and the lender to encourage the lender to make funds available for production. It's extremely difficult to convince a lender to provide thousands in operating capital with no safety net beneath the production he is financing.
- c) Crop Insurance/Revenue Assurance needs to be available for every producer to support the producer/lender relationship.

I support payment limits as set out in the current farm bill. I do not feel that the significant cuts that President Obama has suggested are acceptable in our current financial structure. There are many young and beginning farmers who can exceed the \$250,000 income limit but have such large debt service needs that their income is stretched very thin. Yet they will be ineligible for the program. Preventing these younger newer farmers from participating in the Farm Program can effectively cripple them from being able to compete in the marketplace, both from a commodity sales standpoint and in the ability to purchase real estate on which to expand their operations. I believe that there is a certain unfairness associated with the proposed cuts. Every operation has made significant financial decisions based on the rules set forth in the last Farm Bill; the rules shouldn't be changed in the middle of the game.

I also support the Federal Crop Revenue Assurance Program. It is the safety net that farmers and small, rural banks and other ag lenders must have to stay in business and remain viable in these challenging times.

In my opinion the new Farm Bill must *evolve* from where we are now, not be a complete 180 degree turn. Please endeavor to look ten or more years into the future with respect to input costs, markets, technology, global perspective, and our children's children. The program should fit the future, not what we are doing this week or this year. Make it fit the rural, production landscape and the ecological development of larger farm operations. Farms will not get smaller. We won't be going back to 80- or 120-acre operations where corn, soybeans, oats, clover/hay were rotated each year and hogs and cattle are pastured on the fallow ground while chickens peck in the yard. Farm operations will get larger. There are fewer farmers on the horizon to produce and manage the commodities. Machinery will only get larger and more powerful. And more expensive. The new Farm Program needs to be flexible enough to allow for the growth and evolution of the business of farming. We have to be able to help our next generation get started and become quickly viable to maintain the level of production that will be necessary to continue to feed the population of the world in the coming years.

The best opportunity for production agriculture is to operate in a free market system that allows for profitability and innovation. However, when the commodity markets are significantly affected by issues completely unrelated to agriculture and so very out of our control, there needs to be some form of safety net in place to help deal with this situation.

I believe that agriculture has many exciting opportunities available for success in every community. Mother Nature seems to regulate the size of that success in most cases. The business of agriculture

needs a support base with Revenue Assurance in place to compensate for the things the farmer cannot control: weather and market volatility.

Again, I would like to thank the members of the Committee for providing this hearing and for allowing me the opportunity to share my thoughts and opinions with you. It's very difficult for many of us in production agriculture to imagine doing anything else in life. Farming in a situation where a Farm Program wasn't necessary for us to economically produce the commodities that fuel our world would be ideal. But until we reach that point, I hope that you will work toward creating a simply-structured and straight-forward framework that can help the next generation in production agriculture move toward a robust free-market system.

Committee on Agriculture

U.S. House of Representatives

Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Richard D. Bayliss

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Telephone: 641-653-2377 (home) 641-777-2548 (cell)

Organization you represent (if any): None

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1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None applied for or received Amount:

Source:  Amount:

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: \_\_\_\_\_

Signature: Richard D. Bayliss

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

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